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Noted by DGI

13 Oct 61

PLEASE RETURN TO  
O/DD/I (NSC)

12 October 1961

Noted by D/DGI

19 OCT 1961

MEMORANDUM FOR: DCI

SUBJECT: Comments on State Department Paper "Review of  
Policy Factors Concerning Licensing of Exports  
to Yugoslavia and Poland."YUGOSLAVIA

1. The discussion begins with a statement of the premises upon which recent U.S. policy toward Yugoslavia has been based. These are essentially that Yugoslavia is not part of the Sino-Soviet Bloc, and that its policy is independent of Soviet control.

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Yugoslavia has maintained its independence against both threats and blandishment from the Bloc and that it will not voluntarily rejoin the Bloc.

2. The paper notes the keen disappointment felt by the U.S. over Yugoslavia's role at the recent Belgrade conference. It also notes Ambassador Kennan's statement that we would be sowing misunderstanding if we took action which implied that the Belgrade conference has created a wholly new and unprecedented situation. Ambassador Kennan's judgement is supported by the memo to you from the Board of National Estimates

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This memo states that Yugoslavia's neutrality, on occasion, manifests itself against the interests of the West, and

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that the Yugoslavians have been taking their receipt of U.S. economic aid very much for granted. It concludes, nonetheless, that the basic analysis of the Yugoslav position [ ] remains valid.

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3. Subject paper concludes that the recent suspension of licenses to Yugoslavia is inconsistent with U.S. interests, for reasons given on page 5. These reasons are, on the political side, that the suspension erroneously lumps Yugoslavia with the rest of the Bloc and that continued suspension would be interpreted to mean that the U.S. has altered its concept of Yugoslavia as an independent nation and is punishing Yugoslavia for its behavior at Belgrade. On the economic side, the reasons are that the economic significance of withholding licenses is limited and that Yugoslavia can obtain the goods elsewhere in the free world. The economic reasons are correct and the political reasoning consistent with our own estimates.

4. The paper concludes that we should reaffirm our basic policy toward Yugoslavia by reversing the current suspension of export licenses and reconsider at leisure our policy with respect to aid, technical assistance, development credits, and the like. Ambassador Kennan has made some recommendations on the latter subjects [ ]

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POLAND

1. The State paper points out that Poland, unlike Yugoslavia, is clearly a member of the Soviet Bloc, but that it is by all odds the softest spot in the Soviet system. Polish independence, though

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limited, is considered to be unique within the Bloc. The estimates in the paper are consistent with those in NIE 12.6-58 (The Outlook in Poland, dated 16 September 1958). (This estimate, though old, is still generally valid.) This NIE states that Poland is considerably more independent of Soviet control than any other satellite and departs in important ways from the pattern imposed elsewhere by the Bloc. It estimates that the present leadership is determined not to return to Stalinism or to full satellite status.

2. In the light of the Polish situation, two courses of action are considered open to the U.S. The first would be to write Poland off as a lost cause and to concentrate on a defensive posture. The second would be to take all reasonable opportunities to increase Western influence and weaken Soviet influence in Poland. The first policy is deemed to be wholly defeatist while the second, although a calculated gamble, is considered to hold the greater promise. This judgement is consistent with our estimate of the situation in Poland.

3. The paper points out that at the present time there are two issues in our relations with Poland which require urgent decision. The first involves a PL 480 agreement for the shipment of \$86 million worth of grain; the issues here are not further analyzed. The second concerns the recent suspension of licenses for shipments to Poland. The paper records State Department approval of the recent more rigorous application of export controls to Eastern Europe as a whole. The Department believes, however, that the freeze on individual

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licenses for exports to Poland should be lifted for reasons given on pages 12 and 13. It is pointed out that maintenance of a preferential treatment for Poland is an important element of our over all policy toward Poland and that any desire to exert pressure on Poland by suspending licensing would be singularly ill timed, because it would diminish the force of any multilateral Western economic counter measures in connection with the Berlin Crisis. On the economic side, it is judged that the suspension of licenses would have a relatively minor effect on U.S. exports to Poland and that Poland could secure the imports, by paying in hard currency, from other free world countries. We agree with the statements about economic significance and find nothing in the other reasons inconsistent with our own estimates and views.

4. The paper recommends that the U.S. policy of maintaining a special relationship with Poland be reaffirmed and that the current suspension of export licenses for Poland be removed, unless and until the Berlin crisis warrants a general embargo. It recommends that a decision on the PL 480 agreement be postponed, and that other aspects of our relations with Poland be carefully reviewed. Embassy Warsaw has made recommendations on these subjects

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Assistant to the DD/I (NSC)

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Noted by DCI

13 OCT 61

Review of Policy Factors Concerning Licensing of  
Exports to Yugoslavia and Poland

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Noted by DCI  
19 OCT 1961

State  
Paper

PROBLEM: The President decided at the White House meeting on September 22 that export licenses for shipments to Yugoslavia and Poland should not be issued pending review of this question. Such licenses have been withheld since September 18.

Prior to September 18 our treatment of exports to Yugoslavia and Poland was derived from our general policy toward those countries, based upon a careful and continuing analysis of our long range interests and objectives. To make a determination on the future licensing of exports to Yugoslavia and Poland, it therefore seems essential to re-examine the validity of our general policies toward those countries. A re-examination of our general policies is also desirable in order to provide future guidelines for other aspects of US relations with these two countries, including the daily conduct of diplomatic contacts, aid programs, trade policies, technical assistance activities, cultural exchange arrangements, etc.

It is important at the outset to emphasize the profound differences between Poland and Yugoslavia. Their internal political and social structures are different; their general international postures are different; their relations with the US are different. Accordingly, the treatment they have received from the US has differed considerably. The principal point of similarity between the two countries is their mutual dedication to the general philosophy of Marxism, but even this philosophy has been interpreted and applied in different ways.

In terms of US interests and objectives, there is no more validity in lumping Poland with Yugoslavia than there would be in lumping Tunisia with Ghana. Therefore, while the need for re-examining our policies is equally urgent for both countries, it is essential that each country be considered separately.

I. YUGOSLAVIA

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I. YUGOSLAVIAA. General Policies

Up to the present time, US policy toward Yugoslavia has been based on the following premises:

1. Yugoslavia, while subject to a Communist dictatorship, is not a part of the Sino-Soviet bloc. In 1948 the Yugoslav Government, under Tito's leadership, broke away from Soviet control and the international Communist movement. Since that time Yugoslavia has shown a vigorous determination to preserve its national identity and freedom from outside domination.

2. To a considerable extent, Yugoslavia has opened itself to Western ideas and institutions. It has also evolved an economic and political system which differs substantially from that of the Soviet Union. Yugoslavia's economy has undergone a process of decentralization with definite elements of competition and individual incentive. In this connection, it is important to note that Yugoslavia has achieved a rate of economic growth greater than is found anywhere in the Soviet bloc.

3. Yugoslavia's independence of Soviet control has been emphasized by Yugoslavia's participation as member or observer in certain international organizations in which the Soviet bloc does not participate and which, in some respects, are antithetical to Soviet ambitions. These include the GATT, the European Productivity Agency, the OEEC and the new OECD. Yugoslavia is also a member of the International Convention for the Protection of Industrial Property, which protects US patent and trade mark rights in Yugoslavia. While the US has no formal copyright relations with Yugoslavia, few serious copyright problems have actually arisen.

4. Within the context of the "cold war", Yugoslavia is a neutral country and usually behaves as such. It frequently takes positions on international issues that are opposed to US attitudes and interests, but this is equally true of other neutral nations. In the UN, for example, Yugoslavia's voting  
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record corresponds more closely with that of India than with that of the Soviet bloc.

5. US trade with Yugoslavia, while moderate in volume, nevertheless serves US economic interests. Our overall balance of trade with Yugoslavia is decidedly favorable, and Yugoslavia is a significant market for US agricultural surpluses.

6. The US has a definite interest in maintaining Yugoslav freedom from Soviet control. In addition to our obvious desire to prevent the expansion of Soviet domination over Yugoslavia itself, the continued independence of Yugoslavia affords certain special advantages in our world-wide resistance to Sino-Soviet imperialism. It has profoundly disturbed the political and ideological unity of the international Communist movement. It has definitely encouraged nationalist, anti-Soviet tendencies among the populations of the Soviet-dominated states of Eastern Europe. The fierce Soviet and Chinese attacks on Yugoslav "revisionism" and "deviationism" have vividly reminded Marxist sympathizers in all parts of the world that the Sino-Soviet bloc is not satisfied with a mere triumph of ideological principles, but demands direct subservience to the bloc.

On the basis of the foregoing considerations, the US has maintained a relationship with Yugoslavia generally similar to that maintained with other neutral nations. We have pursued friendly and frank diplomatic contacts, have conducted extensive information activities in Yugoslavia and have carried on a broad exchange program. Yugoslav requests for economic and technical assistance have been considered on their merits, and trade with Yugoslavia has been conducted as with other friendly and neutral countries.

The US Government had reason for keen disappointment concerning Tito's speech and the general role of Yugoslavia at the recent Belgrade Conference. We have already expressed to the Yugoslav Minister of Foreign Affairs and to the Yugoslav Ambassador here, as well as in writing to the Yugoslav Government in Belgrade, our disappointment and displeasure over the Yugoslav performance. However, as Ambassador Kennan

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has pointed out, we would be merely sowing misunderstanding if we took action which would imply that the Belgrade Conference has created a wholly new and unprecedented situation.

It seems clear that our diplomatic pressures have already produced certain effects. Foreign Minister Popovic's recent speech at the UN clearly indicates a Yugoslav desire to redress the balance and to reaffirm Yugoslavia's status as a truly non-aligned country.

Despite the frequent differences that will inevitably arise between the US and Yugoslavia, it is important that the US never lose sight of its own basic interests. It is important to the US that Yugoslavia remain independent, that it continue to present to the satellite states the magnetic picture of a successful alternative to bloc membership under Soviet domination and that it continue to be a disruptive element in the international Communist movement.

The Department is well aware of the domestic implications of any US policy toward Yugoslavia. The fact that Yugoslavia has adopted the Communist ideology inevitably creates strong domestic pressures against amicable US-Yugoslav relations. These pressures tend to increase when the Yugoslav Government makes offensive pronouncements. Nevertheless, affirmative US policies toward Yugoslavia have, over the years, been supported consistently by informed public opinion and by the Congress in a long series of legislative actions.

The Department believes that the fundamental interests of the US are served by continuing to recognize and support the independence of Yugoslavia from Sino-Soviet domination. Continuity is obviously a vital ingredient in the success of such a policy. We cannot succeed if we permit our basic premises and goals to fluctuate with the constantly shifting winds of international events.

B. Special Problems: In the practical application of our general policies toward Yugoslavia, it is necessary to give attention to such problems as (a) trade relationships,

(b) economic

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(b) economic grants and loans, (c) technical assistance, (d) travel, (e) cultural exchanges, etc. At the present time, however, the only issue which requires an urgent decision by the US is the recent suspension of export licensing.

The US already has certain agreements with Yugoslavia on technical assistance. Any extension of these agreements will require review and possible revision. Yugoslavia has also filed a new application for one million tons of grain under the PL 480 Program, but this application is very recent and has not yet even been discussed with the Yugoslavs. It may also be desirable to review certain other specific aspects of our relations with Yugoslavia. However, with the single exception of export controls, all these matters can be considered with relative leisure.

The Department believes that the recent suspension of export licenses to Yugoslavia is inconsistent with US interests for the following reasons:

1. The suspension of licenses implies that the US is lumping Yugoslavia with the remainder of the Soviet bloc, which is not only unsound on factual grounds, but which also has a political significance far out of proportion to its economic effects.

2. The economic significance of withholding individually validated licenses for exports to Yugoslavia is limited. About 92 per cent of the items controlled by the Department of Commerce can be exported to Yugoslavia without individually validated licenses, and over 80 per cent of US-Yugoslav trade is in this category. For the remaining 8 per cent of controlled items, licenses have generally been issued subject to Yugoslav assurances concerning transfer to third countries. We have no evidence that the Yugoslavs have ever failed to honor these assurances, with one exception in 1957, when the Yugoslavs admitted a mistake in permitting the diversion of a borax shipment.

3. Virtually all the items withheld from Yugoslavia by our recent suspension of licenses can be obtained without

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difficulty from Western Europe, Japan or elsewhere in the Free World. Thus, even if it were assumed that the export of certain items to Yugoslavia might somehow threaten our security interests (a highly dubious assumption) the suspension of licenses would accomplish little or nothing in protecting our security.

4. The only substantial effect of withholding licenses for exports to Yugoslavia would be political. A continued suspension would be interpreted to mean that the US has altered its basic concept of Yugoslavia as an independent nation, or else would be interpreted as an indication that the US is reacting toward Yugoslav behavior at the Belgrade conference in an abrupt and vindictive manner. In either case, the basic interests of the US would suffer, both in terms of our relations with the Yugoslavs themselves, and in terms of the attitudes of other nations toward the US. In the words of Ambassador Kennan, "It is one thing to speak of modifying previous levels and nature of aid programs; it is another thing to deprive the Yugoslavs of normal opportunities for trade with the US... Drastic and punitive measures affecting trade as well as aid would only silence our friends, vindicate anti-Western extremists...and cut off more hopeful possibilities. So final would this be in its effect on possibilities for my own usefulness here that I would hope the Department would give me an opportunity for personal consultation before taking steps of such gravity."

C. Recommendations:

1. That the US reaffirm the basic principles of its policy toward Yugoslavia.

2. That the current suspension of export licenses for shipments to Yugoslavia be removed, and that the US revert to the policies and practices previously in effect, under which Yugoslavia received treatment comparable to that accorded other neutral nations.

3. That our policies toward Yugoslavia with respect to aid, technical assistance, development credits, etc., be

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carefully reexamined, with attention both to our long-range objectives in Yugoslavia and to our immediate tactical relations. Ambassador Kennan, for example, has recommended that we fulfill existing technical assistance contracts but negotiate no new ones; that we continue to make developmental loans on a project-by-project basis; that the work of voluntary relief agencies be re-examined; and that we grant only about 40 to 50 per cent of outstanding Yugoslav requests for wheat, and considerably less in other commodities. All these recommendations should be carefully reviewed here in Washington, but there is no great urgency involved.

## II. POLAND

### A. General Policies

Poland, unlike Yugoslavia, is clearly a member of the Soviet bloc. It is bound to the USSR not only through such formal instrumentalities as the Warsaw Pact, but also because of its exposed geographic position, its heavy economic dependence upon the Soviet Union, its desire for support against fears of a resurgent Germany, etc. Even more important is the fact that Soviet troops are still present in Poland. The Polish Government, in any "show-down" situation, would have no genuine alternative but to submit to the Soviet will. The Polish position on international issues is rarely distinguishable from that of the Soviet Union itself. In brief, Poland is under heavy Soviet influence and US policies must fully take account of this fact.

On the other hand, it is equally important to recognize that Poland is by all odds the softest spot in the Soviet system. It differs from the other bloc members in a number of significant respects. First, since the establishment of the Gomulka regime in 1956, the Polish Government has enjoyed a measure of independence which, while limited, is nevertheless unique within the bloc. The people of Poland have a long-standing antagonism toward Russia and a basic orientation toward Western civilization. Only a small part of Polish agricultural land has been collectivized. Essential freedom of worship exists in Poland, including the teaching of religion to children by the clergy and the operation of a university and seminaries

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seminaries by the Catholic Church. The Polish Government permits a diversity of expression in the arts which is unmatched elsewhere in the Soviet bloc, and intellectual activity is fairly vigorous. The Polish Government has also been more restrained in the exercise of police power, as evidenced by the relative absence of political arrests and greater freedom of movement within the country. Finally, the Polish regime permits more extensive and active contacts with the West than are permitted by other satellite states. This is true in terms of scientific and cultural contacts, tourist travel and the emigration of large numbers of Poles to various Western countries.

Under the Gomulka regime, there has also developed a considerable expansion of relations with the US. US officials in Poland are able to maintain and develop broader contacts, both with officials and with private citizens. US consular officers are able to carry on their activities with considerable freedom and on a much larger scale than is possible in other bloc countries, including services on behalf of American citizens. US volunteer agencies (CARE, Church World Service, etc.) are able to administer food distribution programs which include full identification of the source of the distributed goods. The US has been able to maintain a USIA-type program in Poland, including the establishment of a reading room open to the public, the distribution of the Information Bulletin, the publication of a monthly magazine and the circulation of a considerable volume of American books, films, etc. The US has formal treaty relations with Poland covering patents, trademarks and copyrights, and there has been no evidence of Polish "piracy" with respect to any of these rights. VOA broadcasts are not jammed in Poland. Finally, the US has been able to develop a far more extensive exchange program with Poland than with any satellite country.

Total US exports to Poland are similar in dollar volume to US exports to Yugoslavia. The balance of trade is distinctly favorable to the US, and the US retains the right to demand gold or hard currency for its exports to Poland. Surplus agricultural commodities represent a sizable proportion of Polish imports from the US. Thus, the US itself derives a

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significant economic advantage from its trade relations with Poland.

In developing future US policies toward Poland, it would be erroneous and dangerous to base such policies on the illusion that Poland is likely to be detached from the bloc in the immediate future. On the other hand, in view of the circumstances described above, it is apparent that Poland enjoys a significant measure of autonomy, particularly in the pursuit of internal policies, which the rest of the bloc does not possess in any comparable degree.

In essence, two courses of action are open to the US. The first is simply to write off Poland, along with all other countries within the Soviet bloc, as a "lost cause" and to concentrate our energies solely on maintaining a defensive posture against the further expansion of Sino-Soviet influence. The second alternative is to take such steps as are available and practical to "carry the war to the enemy"--specifically, to seize all reasonable opportunities to increase Western influence and weaken Soviet influence in Poland over an extended period of years, with the ultimate objective of helping Poland to become a completely independent nation.

The second alternative necessarily implies the application of special policies to Poland in such fields as trade, commercial credits, economic and technical assistance, exchanges of persons, etc. The application of these special policies inevitably involves uncertainties, since our ultimate goals can be achieved, at best, only over a long period of years.

In brief, the second alternative is a calculated gamble. However, the first alternative is wholly defeatist. The first alternative would imply US acceptance of the thesis that a Communist triumph in practically any country must be regarded as permanent, and that the continuing struggle between the Sino-Soviet empire and the Free World must therefore be waged exclusively upon the territory of the latter.

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For the reasons indicated, the Department has accorded Poland a considerable measure of special treatment since 1956. This policy was never expected to produce any sudden or dramatic results. On the other hand, this policy has unquestionably brought some visible gains. It has helped to preserve the changes distinguishing Poland from the other bloc states, to keep the door open to wider American access to the Polish people and to maintain the intrinsic Western orientation of the great mass of the Poles. This policy also continues to provide a lever by which the US can hope to influence the future destiny of Poland and to moderate the actions of the entire Soviet bloc. Because of these benefits, our policy has received widespread support among interested domestic groups, such as the Polish American Congress.

B. Special Problems

The application of our general policies toward Poland to the specific areas of trade, aid, exchanges of persons, etc., obviously requires greater tactical flexibility than is the case with Yugoslavia. This is true because our immediate objectives are more limited, because our contacts with the Poles are more restricted, because the risks of liberal treatment are greater and because Poland, as a member of the bloc, is necessarily involved in US decisions affecting the bloc as a whole, such as the Berlin crisis.

At the present time, there are two issues in our relations with Poland that require urgent decision. The first involves the willingness of the US to conclude an agreement already tentatively reached with Poland for the shipment of 86 million dollars worth of grain under the PL 480 program. The terms of this tentative agreement provide that Poland will pay for this grain in local currency, which the US will have the option of either using within Poland or, at the end of a 10-year period, converting into dollars or gold. (These terms are similar to those which have been applied to past PL 480 transactions with Poland.)

While naturally Poland is anxious to conclude this agreement, the US has thus far hesitated to do so because of the Berlin crisis.

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The second problem requiring urgent decision involves the field of export controls, and specifically the recent suspension of licenses for shipments to Poland. In past years, the policy of giving special treatment to Poland has been applied to the field of export controls, as well as to other activities and relationships. The preferential treatment given Poland has been limited, but it is perhaps the basic explanation of the fact that Poland, as compared with other bloc countries, accords the US special treatment in overall relations.

Our preferential treatment of Poland can best be illustrated by comparing the export licensing policy applicable to Poland with the licensing policy which has been applied to the remainder of the Soviet bloc. In the past, about 10 per cent of the items controlled by the Department of Commerce could be exported to the Soviet bloc under general license. Another 80 per cent required individually validated licenses, which were usually granted upon application. The remaining 10 per cent, consisting of items on the Positive List and the GRO Exception List, likewise required individually validated licenses, but applications for these were usually denied to other bloc countries.

In the case of Poland, about 90 per cent of the items controlled by the Department of Commerce could be exported under general license. The remaining 10 per cent, consisting of items on the Positive List and the Polish GRO Exception List, required individually validated licenses. Licenses for these items were sometimes granted to Poland if they were determined to be "reasonable and necessary to the Polish civilian economy".

The recent decision to suspend export licenses for shipments to Poland and Yugoslavia still leaves Poland in a better position than the remainder of the Soviet bloc with respect to general licenses, but actually gives the other bloc countries somewhat better treatment than is given to Poland in the issuance of individual licenses, since action is at least permissible on applications from the former. This is wholly incongruous with the general US policy toward Poland.

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Since August 25, 1961, there has been a more rigorous application of criteria in our controls over exports to Eastern Europe as a whole. The Department concurs in this tightening of export controls, which apply to Poland along with the remainder of the Soviet bloc. Nevertheless, the Department strongly believes that the general freeze on individual licenses for exports to Poland should be lifted, and that we should revert to the previous policy of according preferential treatment to Poland, for the following reasons:

1. The maintenance of preferential treatment for Poland in granting US export licenses is an extremely important element of our overall policy toward Poland. The termination of this preferential consideration would be interpreted by the Poles, and by various allied and neutral nations, as an indication of a basic change in the US policy of distinguishing between Poland and the remainder of the bloc, and might well be interpreted by the Polish people as evidence of a US decision to "write off" Poland as a lost cause. This would inevitably strengthen the hard-line, pro-Soviet Communists in the Gomulka regime, would have a profoundly discouraging impact upon Western-minded Poles, and would tend to nullify the gains that we have made in our relations with Poland since 1957.

2. The current suspension of individually validated licenses for exports to Poland has a relatively minor effect upon the total volume of US exports to Poland. Nor is it likely to have any significant effect upon US strategic interests. As Embassy Warsaw points out, refusal of licenses will have no economic result except to divert Polish hard currency earnings to other Western suppliers. Here again, as is true in the case of Yugoslavia, the principal impact is political and psychological.

3. In one sense, the present freeze tends to discriminate against Poland in relation to the remainder of the bloc. We have no basis whatever for justifying such discrimination, either to the American people, to the Poles or to other nations of the world.

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4. Within the framework of our general policy toward Poland, it is recognized that tactical situations may arise which will make it desirable for the US Government to exert pressures upon Poland. It is also recognized that the general field of export controls affords an opportunity for the exertion of such pressures. However, it seems obvious that the US must give the most careful consideration to any measures of this kind before putting them into effect. We must have a clear understanding of our objectives in exerting pressure, we must choose the particular measures most likely to be effective, we must choose the proper time and circumstances and, finally, we must always try to maintain a balance between our short-term and long-term objectives.

Leaving aside all other considerations, it seems obvious that the present moment is the worst possible time to exert special pressures against Poland in the field of export controls. In the near future, we may be required to take stern measures against the Soviet bloc as a whole, including Poland, because of the Berlin crisis. Western contingency planning for economic countermeasures against the Soviet bloc is already under way. However, there are three vital elements to be considered in planning these countermeasures. The first is that the economic countermeasures should not be applied unilaterally by the US but should be applied by the NATO countries as a whole. Second is that such economic countermeasures should be applied to the entire Soviet bloc, without distinction among individual members of the bloc. The third is that these economic countermeasures should be applied at a time when they are likely to produce a maximum impact upon the Soviet bloc in relation to the Berlin crisis.

The withholding of licenses for exports to Poland represents a unilateral move by the US, prematurely timed and directed against a particular country. The continued withholding of these licenses would thus diminish the force of properly-timed, concerted Western countermeasures, and would also severely complicate the difficult problem of obtaining an agreement among the NATO countries on the application of such countermeasures. In brief, we seem to be bringing pressure against the wrong country at the wrong time in the wrong way.

C. RecommendationsSECRET

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C. Recommendations

1. That the general US policy of seeking to maintain a "special relationship" with Poland be reaffirmed. This implies a measure of preferential treatment for Poland as compared with other bloc countries.

2. That the current suspension of export licenses for shipments to Poland be removed. The US should follow the course agreed to on August 25, 1961, of applying more rigorously the criteria for granting individual licenses, in accordance with the general tightening of controls over exports to the Soviet bloc as a whole. However, Poland should continue to receive the same degree of preferential treatment over other bloc members that it has been accorded in past years, unless and until the Berlin crisis warrants a general economic blockade against the entire Soviet bloc.

3. That no decision be made on the conclusion of the pending PL 480 agreement with Poland until the Department has had an opportunity to examine more carefully the possible consequences of this agreement, both in terms of the fluid Berlin situation and in terms of selecting the most effective tactics in the application of our general policies toward Poland.

4. That other aspects of our relations with Poland, especially those involving preferential treatment, be carefully reviewed during the next few months, taking full account of the recent recommendations by Embassy Warsaw.

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POLISH FOREIGN TRADE, 1958  
Millions of Zlotys\*

	<u>1958</u>	<u>1959</u>	<u>1960</u>			
Imports from:						
Soviet bloc	2,414.9	3,110.4	3,697.9			
US	406.8	284.0	336.5			
Rest of Free World	<u>2,085.6</u>	<u>2,284.0</u>	<u>1,945.5</u>			
Total	4,907.3	5,678.4	5,979.9			
Exports to:						
Soviet bloc	2,344.4	2,645.2	3,157.7			
US	107.1	122.2	126.0			
Rest of Free World	<u>1,786.0</u>	<u>1,813.1</u>	<u>2,018.4</u>			
Total	4,237.5	4,580.5	5,302.1			
Turnover with:				<u>Percent Distribution</u>		
				<u>1958</u>	<u>1959</u>	<u>1960</u>
Soviet bloc	4,758.3	5,755.6	6,855.6	52.0	56.1	60.8
US	613.9	406.2	462.5	6.7	4.0	4.1
Rest of Free World	<u>3,772.6</u>	<u>4,097.1</u>	<u>3,963.9</u>	<u>41.3</u>	<u>39.9</u>	<u>35.1</u>
Total	9,144.8	10,258.9	11,282.0	100.0	100.0	100.0

\* For. exchange zlotys - 4 zlotys = US \$1

Note: Detail not necessarily additive due to rounding.

YUGOSLAV FOREIGN TRADE, 1958-60  
Millions of Dinars\*

	<u>1958</u>	<u>1959</u>	<u>1960</u>
Imports from:			
Soviet bloc	57898**	50951**	63782
US	40198	42004	26574
Rest of Free World	<u>107408</u>	<u>113201</u>	<u>157839</u>
Total	205504	206156	248195

Exports to:			
Soviet bloc	36793**	44093**	54960
US	9889	9344	11477
Rest of Free World	<u>85737</u>	<u>89558</u>	<u>103643</u>
Total	132419	142995	170080

Turnover with:				<u>Percent Distribution</u>		
				<u>1958</u>	<u>1959</u>	<u>1960</u>
Soviet bloc	94691**	95044**	118742	28.0	27.2	28.4
US	50087	51348	38051	14.8	14.7	9.1
Rest of Free World	<u>193145</u>	<u>202759</u>	<u>261482</u>	<u>57.2</u>	<u>58.1</u>	<u>62.5</u>
Total	337923	349151	418275	100.0	100.0	100.0

\* Off. exchange rate -- 300 dinars = US \$1

\*\* Excluding Asian Communist countries (Communist China, Mongolia, North Korea, North Viet-Nam)